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ABSTRACT

In autumn 2001, the United Kingdom's (UK's) government published the following key documents concerning workforce development: (1) "In Demand: Adult Skills in the 21st Century"; (2) "The UK Productivity Challenge"; and (3) "Building a Stronger, Fairer Britain in an Uncertain World." Key positions and policies included in the three documents are as follows: (1) public financial incentives to train people in work must be matched by employer commitment to provide time off to train; (2) the 8 million individuals in jobs without a level 2 qualification, including those with basic skill needs, should be the target groups of government-supported training; (3) those individuals will receive free learning provision and accreditation by approved providers to work toward qualifications in areas that could raise productivity; (4) the government will support paid time off for education and training but will not make it a statutory entitlement; and (5) the government recommends extending the concept of "peer advice" learner support to small and nonunionized settings and local communities. Several pilot projects covering a mix of basic skills alone and basic skills plus level 2 courses were initiated to identify required levels of support and time off from work and effective practices and incentives. (Seven suggestions for further reading and useful organizations are listed.) (MN)

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NIACE Briefing Sheet 27

Workforce Development: Recent Government Activity

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Workforce Development: Recent Government Activity

niace
promoting adult learning

This briefing sheet provides an outline of key points from three recent documents concerning workforce development. It also flags up some areas where the messages appear to differ.

Alastair Thomson, NIACE

This is the twenty-seventh in a series of briefing sheets which aim to provide an introduction to a variety of lifelong learning issues

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Three key documents concerning workforce development and workplace skills were published in Autumn 2001. These were:

1. **In Demand: Adult Skills in the 21st Century** from the Performance and Innovation Unit.
2. **The UK productivity challenge** by the CBI and TUC submitted to the Chancellor in October as part of the Treasury Productivity Initiative.
3. **Building a stronger, fairer Britain in an uncertain world.** The Chancellor's Pre-budget report and statement which included a substantive section on Workplace Skills.

Each document is outlined below with key concerns and messages highlighted.

The Performance and Innovation Unit's Report

The Government's Performance and Innovation Unit (PIU) was asked to examine how workforce development could contribute to increasing productivity, tackling social exclusion and carrying forward the work of the National Skills Task Force.

The Unit's report comes out in favour of a more demand led system, in which the needs of employers and employees determine the provision of development, and considers a number of policy measures to take this agenda forward. It concludes that what is needed is a more coherent approach which helps firms adapt to increasingly competitive markets and helps individuals to update existing skills and learn new ones, rather than seeing education as something that happens just once.

In particular the report proposes:

- Maintaining the priority of reducing the estimated 20% of the workforce who lack basic literacy and numeracy skills;
- In the longer run, aiming to ensure that all adults have the opportunity to achieve their first level 2 qualification.

The Prime Minister has now asked the PIU to prepare a further report setting out specific policies and an action plan to be published this summer, alongside the results of the spending review.

While there is much of interest in the PIU report, it is somewhat disappointing overall, pitched at a very general strategic level. Some commentators suggest that it represents little more than a re-statement of the work of the Skills Task Force.

The CBI/TUC Report

In late 2000, the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) were invited by the Chancellor of the Exchequer to make joint proposals to address the UK's productivity gap with international competitors. The resulting report draws together the conclusions of four working groups on investment; skills; technology and innovation and best practice. The skills group attaches priority to meeting basic skills needs, increasing the proportion of adults with level 2 qualifications and to increasing the take-up of Investors in People (IIP) by smaller organisations.

Perhaps of greatest interest in the area of workforce development are the report's proposals for the introduction of financial incentives for employers and individuals through the mechanism of tax credits. In one sense, the political effect of this report and its timing was to ensure that any proposals made in the PIU report could not be accepted without further debate.

The Pre-Budget Statement and Report

In particular, chapter 3 of the pre-budget report, "Meeting the Productivity Challenge", can be seen as the Treasury's response to the PIU and the CBI/TUC reports. It recognises the need to raise the skills of people already in the workforce rather than focusing on new entrants to the labour market and sets out an analysis of workplace-linked skills driven by productivity performance. While noting the work done by the earlier documents, the tone is more authoritative.

The report gives a strong indication of the Government's approach. As part of the coming Spending Review, it will consider what targets should be set to reduce, by 2010, the number of adults in the workforce without basic skills or a level 2 qualification. To achieve these targets, the Government will work with the Learning and Skills Council (LSC) to raise the demand for training and improving the quality and efficiency of training supply.

The Government will examine a range of options, including a tax credit or other financial incentive, to increase the demand for training. It is, however, concerned to avoid problems of "deadweight" (paying people or organisations to do what they would have done anyway). The PIU suggestion of a statutory right to time off for training is under consideration although a full regulatory impact assessment and consultation would need to be undertaken.

One model to increase demand elaborates four elements and may be felt to represent the direction of thinking:

- Financial support for employers whose staff take time off to train to acquire basic literacy, numeracy and ICT skills and to progress to level 2,
- Free learning provision and accreditation for employees without level 2 qualifications, to work towards recognised qualifications in areas which could raise productivity, up to the level 2 standard, with approved providers.
- Arrangements for individuals to take up training - such as a minimum entitlement for all employees who have not attained basic skills or level 2 qualifications to paid time off each year to train towards the standard.
- Extended information, guidance and support for employers and individuals taking part in, or considering taking part in, any new system. Among other possibilities, these could include arrangements along the lines of Union Learning Representatives, which have proved successful.

Parallel to the work being done by the PIU and Department for Education and Skills (DfES) leading up to the 2002 Spending Review, the Government will launch pilot initiatives to begin in September 2002 to test out a range of approaches to increasing training levels among those without basic skills and level 2 qualifications.

The Government wishes to ensure that institutions providing training are delivering high quality training and learning. The further education sector caters for around 3.8 million students, 80% of whom are aged 20+. The sector currently provides around 54% of vocational qualifications, and the

best colleges have success rates of over 70%. The Government is, however, concerned that average success rates remain too low (only 51% for learners aged 20+) and that performance is too varied (a few colleges have success rates lower than 45 per cent). According to the report, variation in performance seems to be closely connected with leadership and governance, focus and mission in individual institutions, and the quality of teaching.

The Government expects the LSC to take a much more targeted approach to improving the supply-side, taking a strategic role in enhancing workforce development capacity at the sub-regional level. The Government will consider in the coming months how to support change in the sector.

The report also considers the contribution of higher education to the development of a highly skilled workforce and re-states the Government's ambition that 50% of young people will have the chance to participate in higher education by 2010. To fulfil this ambition, it is pursuing three objectives: widening access to higher education, improving the funding of teaching and minimising regulation.

Reading the reports together

Overall the Government's position is that public financial incentives to train people in work need to be matched by employer commitment to provide time off to train.

a) Employer Incentives
The Pre- Budget Report agrees with the TUC/CBI Report that the target groups should be those 8 million people in jobs without a level 2 qualification including those with basic skills needs such as literacy and numeracy. The TUC's position that such target groups should also include those who require ICT skills has been accepted by the Chancellor.

Financial support is likely to be given to employers whose staff take time off to train to acquire basic skills and ICT and to progress to level 2, with additional support for small firms because of their diseconomies of scale. It is not clear whether this will include those qualified to level 2 by virtue of academic qualifications (i.e. 5 "good" GCSEs) but no vocational qualification.

The TUC/CBI Report argued for a tax credit based on National Insurance Contributions (NICs) because it was inclusive and covered SMEs as well as large firms and the public and voluntary sectors as well as the private enterprises and any mechanism needs to ensure this. Although it also proposed that an employer tax credit should cover the costs of small employers going for Investors in People, this is not in the Pre-Budget statement. There is an argument that one corporate standard should not be singled out for such an incentive as opposed to other standards such as the Business Excellence model. Perhaps the solution to low capacity in small organisations is for a much more systematic support for small employers involved in such standards using the Small Business Service/LSCs.

b) Employee Entitlements
Support will be given in the form of free learning provision and accreditation for employees without level 2 qualifications, to work towards recognised qualifications in areas which could raise productivity, up to the level 2 standard, with approved providers. This would build on the current provision of free courses for basic skills under the "Skills for Life" initiative. This proposal is very much based on the adult learning entitlement advocated by the National Skills Task Force, supported by the TUC/CBI. The proposals in the Pre-Budget Report however might limit the entitlement to vocational courses which directly affect productivity – as opposed to some wider provision in employee development schemes.

c) Paid Time Off
Whilst the TUC backs an entitlement to paid time off for education and training, the CBI has set their face against a statutory entitlement. The PIU report set out a variety of incentives such as compensation for wage costs for business that give time off and support for business employing staff to cover absences. The Pre-Budget Report stated that there will be some form of arrangements for individuals to take up training – this would not necessarily cover paid leave for general education however. The Government will explore through pilots different possible time periods. The Government will launch the pilots in April 2002 (to begin in September 2002) and will run for up to 2 years. A total of £40m has been allocated for the workforce development pilots between 2002/2003 and 2003/2004 -£25m being found from the allocation of the "windfall levy" and £15m from the DfES.

d) Advice and Guidance

The PIU commends the success of Union Learning Reps in supporting employees in learning (which will be greatly extended with the enacting of statutory rights for such reps in the current Employment Bill). The report thus recommends that this concept of "peer advice" could be adopted in small and non-unionised settings and in local communities. Such an extension is reiterated in the Pre-Budget Report. Union Learning Reps will be crucial in identifying and supporting employees.

The pilots

The pilots announced in the Pre-Budget Report will cover a mix of basic skills alone, and both basic skills and level 2 courses and will test different possibilities to provide evidence for decisions about a future national policy. The Government, alongside the PIU, will carry out detailed work on proposals for the pilots, including consultation with employers and other stakeholders on the detailed design and implementation of (cash limited) pilots which will test a number of elements:

- the level of financial support needed to compensate employers for the time their employees spend on training
- the amount of time low-skilled employees would be entitled to devote to training on full pay
- incentives and rewards for successful completion of courses; and
- levels of subsidy, up to 100 per cent, for course and accreditation costs.

One possible structure for pilots would be for all employees without basic skills to be entitled to 35 hours (5 days) of paid time off each year for free courses to acquire these skills. The pilot would offer employers financial support equivalent to, say: 125 per cent of wage costs for small firms; less than 100 per cent for the largest firms. Another possible structure would be for all employees who have not attained skill level 2 to be entitled to 70 hours (10 days) of paid time off each year for free courses to acquire these skills, the pilot would offer employers financial support equivalent to, say: 150 per cent of wage costs for small firms; less than 100 per cent for the largest firms.

Pilots will be run by local Learning and Skills Councils and are likely to be in areas with a labour force of between 100,000 and 150,000 so that they can attract an expected 4,000 new learners. Pilots will seek volunteer employers who will undertake to provide relevant employees with time off to undertake their training and in return will receive a grant as compensation.

Future Action

These reports clearly offer many opportunities for organisations to become involved in these initiatives which are moving towards a more regulatory approach in adult skills.

NIACE and Workforce Development

NIACE has a number of interests in workforce development. These include:

a) ensuring that any extension of opportunity does not exclude workers at the margins of the labour force, for example: part-timers, temporary workers, older workers and staff working in very small businesses

b) ensuring that workforce development is not limited to the acquisition of vocational qualifications and basic skills, but also includes broader educational and personal development programmes (such as the Ford Motor Company's EDAP scheme; family learning initiatives, key skills and initiatives to address work:life balance)

c) helping employers use learning creatively and proactively in raising productivity, raising company reputation and promoting good corporate citizenship.

References and Further Reading

Building a stronger, fairer Britain in an uncertain world. Chancellor's Pre-budget report, 2001. HM Treasury. Web Site: www.hm-treasury.gov.uk

In Demand: Adult Skills in the 21st Century. Cabinet Office. Performance and Innovation Unit, 2001.
Web Site: www.cabinet-office.gov.uk/innovation

Tackling the adult skills gap: upskilling adults and the role of workplace learning: third report of the National Skills Taskforce. DfEE, 1999. ISBN 1841851957.

The UK Productivity Challenge, CBI/TUC Submission to the Productivity Initiative. 2001
Web Site: www.tuc.org.uk/economy/tuc-3928-f0.pdf

Organisations

Confederation of British Industry
Centre Point, 103 New Oxford Street, London WC1A 1DU, Tel: 020 7395 8247
Web Site: www.cbi.org.uk

Trades Union Congress
Congress House, Great Russell Street, London, WC1B 3LS, Tel: 020 7636 4030
Web Site: www.tuc.org.uk

Performance and Innovation Unit
4th Floor, Admiralty Arch, The Mall, London, SW1A 2WH
Web Site: www.cabinet-office.gov.uk/innovation

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